Actuaries Institute.

UNLOCKING THE FAMILY HOME'S POTENTIAL TO BOOST INCOME IN RETIREMENT

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Encouraging more Australians to access equity in their homes combined with changes to stamp duty and the Age Pension could give asset-rich, income-poor retirees a valuable income boost and help free up more housing for young families, a new paper published by the Actuaries Institute today suggests.

The Dialogue Paper*, *More Than Just a Roof: Changing the Narrative on the Role of the Home*, calls for a rethink on how the home is traditionally viewed, changing from a "nest egg" to a key financial asset retirees can use as an income stream in retirement.

More than three million Australians are entering the retirement phase in the next decade, a phase that will likely be longer than that of previous generations – and thus requiring greater funds.

Author and actuary Andrew Boal, the Institute's Retirement Strategy Group Chair and Partner in Deloitte's Superannuation & Investment Practice, says the property price boom has resulted in many retirees who own their own home being stuck in an asset-rich, income-poor trap.

"While most retirees own their own home, 60 per cent retire with less than $250,000 in their super. As a result, they're often living more frugally than they need to. But this doesn't need to be the case," Mr Boal said.

"It's time for us to reconsider the role of the home as a fourth pillar of our retirement income system - alongside the Age Pension, superannuation and voluntary private savings - which could be treated as another financial asset to fund retirement lifestyles.

"Of course, it is important that any home equity release schemes have clear disclosure and consumer protection, so people understand what they are getting into."

More than 80 per cent of Australians aged 65 to 74 live in their own home, with retirees holding an estimated $1.3 trillion worth of housing equity. However, many do not view their home as a financial asset that could be more actively managed beyond potentially helping to pay for future aged care costs and as a bequest.

"If retirees accessed 20 per cent of the $1.3 trillion they hold in home equity, it would unlock about $260 billion to help fund what could be 25 to 30 years or more in retirement," Mr Boal said.

The paper says providing greater information and education about how people can better access part of the equity in their home as part of broad retirement planning would help change the existing "nest egg" mindset.

It also suggests several key policy reforms governments could undertake including:

- Removing or refunding stamp duty for over 55s who downsize their home
- Extending access to downsizer contributions to superannuation to also include amounts released through an equity release scheme, such as reverse mortgages
- Relaxing the Age Pension means test for part of the value of equity released from the family home when it is sold (e.g., $300,000 per person/ $600,000 for couples)
- Providing Age Pension means test relief on money accessed through home equity release schemes, such as reverse mortgages, up to the same cumulative limits
- Gradually including part of the value of the family home, above a reasonable threshold, in the Age Pension means test

Mr Boal said any policy changes would need to be phased in over time and be accompanied by strong regulatory frameworks, including clear disclosure requirements and supporting consumer protections.

"These policy reforms could unlock billions of dollars to improve retirement living standards and at the same time help increase the supply of larger homes for young families, easing Australia's housing supply issue," Mr Boal said.

Andrew Boal is available for comment.

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